11 May 2017

The Manager
Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir / Madam

GrainCorp Limited (ASX: GNC)

Half Year Results for period ended 31 March 2017

Please find **attached** the Appendix 4D and Interim Financial Report for the Half Year ended 31 March 2017.

Yours sincerely,

Gregory Greer
Company Secretary

GrainCorp Limited

Level 28, 175 Liverpool Street
Sydney NSW 2000

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Sydney South NSW 1235

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ABN 60 057 186 035

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GrainCorp

GRAINCORP LIMITED
APPENDIX 4D
FOR THE HALF YEAR ENDED 31 MARCH 2017

RESULTS FOR ANNOUNCEMENT TO THE MARKET				
	Up / Down	% Movement		**2017 $ M**
Revenue from ordinary activities	Up	18.7%	to	**2,456.0**
Profit before significant items from ordinary activities after tax attributable to owners of GrainCorp Limited	Up	210.9%	to	**100.1**
Significant items[1] from ordinary activities net of tax	Down	14.4%	to	**(10.1)**
Profit from ordinary activities after tax attributable to owners of GrainCorp Limited	Up	341.2%	to	**90.0**
Net profit for the period attributable to owners of GrainCorp Limited	Up	341.2%	to	**90.0**

Dividend Information	**Amount per security**	**Franked amount per security at 30% tax**
Final dividend per share (paid 14 December 2016)	3.5 cents	3.5 cents
Interim dividend per share (to be paid 17 July 2017)	15.0 cents	15.0 cents
Record date for determining entitlements to the interim dividend		3 July 2017
Payment date for interim dividend		17 July 2017

Additional Information

Net Tangible Assets per share: $5.95 (2016: $5.42)

Additional Appendix 4D disclosure requirements can be found in the attached Interim Financial Report.

This report is based on the consolidated financial statements and notes which have been reviewed by PricewaterhouseCoopers.

Further information regarding the company and its business activities can be obtained by visiting the company's website at www.graincorp.com.au.

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1 Significant items: GrainCorp defines significant items as not in the ordinary course of business, non-recurring and material in nature and amount. Significant items are shown in Note 3 of the Interim Financial Report.

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GrainCorp Limited (ABN 60 057 186 035) and Controlled Entities

Financial Report for the half year ended 31 March 2017

This Interim Financial Report is provided to the Australian Stock Exchange (ASX) under ASX listing Rule 4.2A and should be read in conjunction with the Annual Report of GrainCorp Limited for the year ended 30 September 2016 and any announcements made by the Company during the period in accordance with the continuous disclosure obligations of the ASX Listing Rules.

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Directors' Report

The Directors present their report on the consolidated entity (collectively the 'Group') consisting of GrainCorp Limited ('GrainCorp' or the 'Company') and the entities it controlled at the end of, or during, the half year ended 31 March 2017.

Directors

The following people were Directors of GrainCorp during the half year and up to the date of this report:

- D C Taylor (Chairman, resigned 1 May 2017)
- G J Bradley AM (appointed to the Board on 1 March 2017, appointed as Chairman 1 May 2017)
- M L Palmquist (Managing Director & CEO)
- R P Dee-Bradbury
- B J Gibson
- P J Housden
- D J Mangelsdorf
- D G McGauchie AO
- P I Richards
- S L Tregoning

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Review of operations

Group Financial Analysis and Commentary

The Group recorded a statutory net profit after tax ('NPAT') of $90.0 million ($100.1 million excluding significant items) for the half year ended 31 March 2017 compared to $20.4 million for the previous corresponding half year ($32.2 million excluding significant items). Refer to Note 3 – Significant Items for details of the pre and post-tax impact of significant items. Revenue from continuing operations increased 18.7% to $2,456 million (HY16: $2,070 million).

Malt

- Malt sales volumes consistent other than slight reduction from sale of malt plants
- Continued high capacity utilisation, above 90%
- Strong demand for speciality products, although rate of Craft beer growth is slowing in North America
- Continued operational efficiencies from strategic initiatives; benefiting from expansion of warehousing and distribution network
- Unfavourable foreign exchange impact from higher AUD (to USD) and lower GBP
- Sale of malt plant in Clingen, Germany (capacity 15,000mt) in second quarter of FY17
- Expansion of malt plant in Pocatello, Idaho, (100,000mt to 220,000mt) continued to progress well and is due for completion mid calendar year 2017

Oils

- **Oilseeds:** sales volumes consistent year on year
- Improved oilseeds earnings due to increased canola supply driving lower procurement costs and stronger demand for meal
- **Foods:** volumes stable; continued margin pressure in Foods with the business focused on improving production efficiency at West Footscray
- Some stabilisation in New Zealand dairy sector
- **Liquid Terminals**: performance benefiting from new tanks, capacity utilisation 94% (HY16: 91%)

Storage & Logistics

- Record east coast harvest providing increased grain receivals and stronger bulk grain export volumes
- ~160 silos operated during harvest - average receivals per site ~70,000mt (2016: ~180 sites, ~40,000mt)
- Export task deferred into second half as country outloads impacted by weather events and extended ongoing industrial dispute by S&L's rail provider in Victoria
- Continued growth of on-farm storage
- Volume drivers:
    - Low carry-in of 1.7 mmt (HY16: 1.6 mmt)

- o Total grain receivals of 13.3 mmt YTD[1] (including direct-to-port receivals and 0.1 mmt summer crop) (HY16: 8.0mmt)
- o Exports: grain (bulk and containers) 3.6 mmt (HY16: 1.2 mmt); non-grain handled 1.3 mmt (HY16: 1.4 mmt)

Marketing

- Strong performance driven by large export program
- Continued diversification of grain origination, with successful execution out of South Australia, Western Australia, Europe, Canada and the Black Sea
- Alternative origination sources continued to compete strongly with Australian grain due to abundant global supply and low ocean freight rates
- GrainsConnect, the Canadian joint venture with Zen-Noh, continued to make good progress. Two high-speed rail loading facilities (out of a total of four) under construction and the third, in Vegreville, Alberta, announced during the half year.
- 4.9 mmt sales delivered (1.9 mmt domestic, 3.0 mmt export and international) (HY16: 3.4 mmt)
- Marketing inventory of $450 million (HY16: $437 million)

Events occurring during the reporting period

On 31 January 2017, the Group announced the disposal of its 60% interest in Allied Mills. The sale completed on 31 March 2017 for total proceeds of $189.8 million (pre-tax and transaction costs). The sale was based on a locked-box date on 2 October 2016 and no equity accounted profits have been recognised in the reporting period. An after-tax gain for the Group of $3.8 million, net of transaction costs, has been recorded in significant items (refer to note 3). The Group has also received the benefit of $35 million of franking credits as a result of the transaction.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

Rounding of amounts

All figures in the financial statements are presented in Australian dollars and have been rounded off to the nearest hundred thousand dollars, or in certain cases, to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Director's Report) Instrument 2016/191*, unless otherwise indicated.

This report is made in accordance with a resolution of the Directors.

G J Bradley AM
Chairman

Sydney
11 May 2017

[1] As at 31 March 2017

Auditor's Independence Declaration

As lead auditor for the review of GrainCorp Limited for the half year ended 31 March 2017, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of GrainCorp Limited and the entities it controlled during the period.

Kristin Stubbins
Partner
PricewaterhouseCoopers

Sydney
11 May 2017

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Interim Financial Report

Consolidated Income Statement

For the half year ended 31 March 2017

	Note	Half year 2017 $ M	Half year 2016 $ M
Revenue		2,456.0	2,069.5
Other income	5	45.9	32.2
Goods purchased for resale		(1,164.8)	(1,093.7)
Raw materials and consumables used		(771.5)	(592.3)
Employee benefits expense		(213.2)	(182.0)
Finance costs		(22.2)	(20.2)
Depreciation and amortisation		(72.5)	(68.5)
Operating leases		(38.5)	(28.1)
Repairs and maintenance		(24.5)	(21.2)
Other expenses	6	(52.7)	(55.6)
Significant items	3	(12.6)	(16.8)
Share of results of investments accounted for using the equity method		(0.1)	5.7
Profit before income tax		**129.3**	**29.0**
Income tax expense		(39.3)	(8.6)
Profit for the period		**90.0**	**20.4**
Profit for the period attributable to:			
Equity holders of the parent entity		**90.0**	**20.4**
Non-controlling interests		-	-
		90.0	**20.4**

	Cents	Cents
Earnings per share		
Basic earnings per share	39.3	8.9
Diluted earnings per share	39.3	8.9

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the half year ended 31 March 2017

	Half year	
	2017 $ M	2016 $ M
Profit for the period	**90.0**	**20.4**
Other comprehensive income		
Items that will not be reclassified to profit and loss:		
Remeasurement of retirement benefit obligations	6.3	3.7
Income tax relating to these items	(2.3)	(1.5)
Items that may be reclassified to profit and loss:		
Changes in fair value of cash flow hedges	12.9	10.0
Income tax relating to these items	(3.2)	0.1
Exchange differences on translation of foreign operations	(6.3)	(64.4)
Other comprehensive income / (loss) for the period, net of tax	**7.4**	**(52.1)**
Total comprehensive income / (loss) for the period attributable to owners of GrainCorp Limited	**97.4**	**(31.7)**
Total comprehensive income / (loss) for the period attributable to:		
Equity holders of the parent entity	97.4	(31.7)
Non-controlling interests	-	-
	97.4	**(31.7)**

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 March 2017

	Note	31 March 2017 $ M	30 September 2016 $ M
Current assets			
Cash and cash equivalents		461.3	307.6
Trade and other receivables		614.2	457.7
Inventories	7	945.0	499.3
Derivative financial instruments	10	58.4	70.7
Assets classified as held for sale		13.7	19.1
Current tax assets		1.1	1.1
Total current assets		**2,093.7**	**1,355.5**
Non-current assets			
Trade and other receivables		1.2	1.3
Derivative financial instruments	10	3.1	3.9
Investments in other entities		3.7	12.7
Deferred tax assets		49.7	71.2
Property, plant and equipment		1,475.9	1,456.3
Intangible assets		478.4	491.3
Investments accounted for using the equity method	11	16.6	183.6
Total non-current assets		**2,028.6**	**2,220.3**
Total assets		**4,122.3**	**3,575.8**
Current liabilities			
Trade and other payables		335.5	351.8
Borrowings	8	894.2	387.8
Derivative financial instruments	10	25.0	59.0
Current tax liabilities		8.6	2.6
Provisions		59.3	66.3
Total current liabilities		**1,322.6**	**867.5**
Non-current liabilities			
Trade and other payables		35.2	39.8
Borrowings	8	821.1	791.5
Derivative financial instruments	10	9.9	18.7
Deferred tax liabilities		56.5	60.7
Provisions		8.8	11.5
Retirement benefit obligations		35.0	44.1
Total non-current liabilities		**966.5**	**966.3**
Total liabilities		**2,289.1**	**1,833.8**
Net assets		**1,833.2**	**1,742.0**
Equity			
Contributed equity		1,347.2	1,346.1
Reserves		40.5	37.8
Retained earnings		445.1	358.1
Equity attributable to equity holders of the parent entity		**1,832.8**	**1,742.0**
Non-controlling interests		0.4	-
Total equity		**1,833.2**	**1,742.0**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the half year ended 31 March 2017

	Hedging reserve $ M	Capital reserve $ M	Share option reserve $ M	Translation reserve $ M	Total reserves $ M	Contributed equity $ M	Retained earnings $ M	Non-controlling interest $ M	Total equity $ M
At 1 October 2015	**(20.0)**	**8.3**	**1.3**	**127.2**	**116.8**	**1,346.0**	**359.0**	**-**	**1,821.8**
Profit for the period	-	-	-	-	-	-	20.4	-	20.4
Other comprehensive income:									
Exchange difference on translation of foreign operations	0.7	-	-	(67.6)	(66.9)	-	2.5	-	(64.4)
Changes in fair value of cash flow hedges	10.0	-	-	-	10.0	-	-	-	10.0
Remeasurement of defined benefit obligations	-	-	-	-	-	-	3.7	-	3.7
Deferred tax credit	0.1	-	-	-	0.1	-	(1.5)	-	(1.4)
Total other comprehensive income	**10.8**	**-**	**-**	**(67.6)**	**(56.8)**	**-**	**4.7**	**-**	**(52.1)**
Total comprehensive income for the period	10.8	-	-	(67.6)	(56.8)	-	25.1	-	(31.7)
Transactions with owners:									
Dividends paid	-	-	-	-	-	-	(5.7)	-	(5.7)
Share-based payments	-	-	1.6	-	1.6	-	-	-	1.6
At 31 March 2016	**(9.2)**	**8.3**	**2.9**	**59.6**	**61.6**	**1,346.0**	**378.4**	**-**	**1,786.0**
At 1 October 2016	**(15.6)**	**8.3**	**4.2**	**40.9**	**37.8**	**1,346.1**	**358.1**	**-**	**1,742.0**
Profit for the period	-	-	-	-	-	-	90.0	-	90.0
Other comprehensive income:									
Exchange difference on translation of foreign operations	(0.1)	-	-	(7.2)	(7.3)	-	1.0	-	(6.3)
Changes in fair value of cash flow hedges	12.9	-	-	-	12.9	-	-	-	12.9
Remeasurement of defined benefit obligations	-	-	-	-	-	-	6.3	-	6.3
Deferred tax credit	(3.2)	-	-	-	(3.2)	-	(2.3)	-	(5.5)
Total other comprehensive income	**9.6**	**-**	**-**	**(7.2)**	**2.4**	**-**	**5.0**	**-**	**7.4**
Total comprehensive income for the period	9.6	-	-	(7.2)	2.4	-	95.0	-	97.4
Transactions with owners:									
Dividends paid	-	-	-	-	-	-	(8.0)	-	(8.0)
Share-based payments	-	-	2.0	-	2.0	-	-	-	2.0
Treasury shares vested to employees	-	-	(1.7)	-	(1.7)	1.1	-	-	(0.6)
Transactions with non-controlling interests:									
Change in ownership interest	-	-	-	-	-	-	-	0.4	0.4
At 31 March 2017	**(6.0)**	**8.3**	**4.5**	**33.7**	**40.5**	**1,347.2**	**445.1**	**0.4**	**1,833.2**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the half year ended 31 March 2017

	Note	Half year 2017 $ M	Half year 2016 $ M
Cash flows from operating activities			
Receipts from customers		2,547.7	2,160.2
Payments to suppliers and employees		(2,974.3)	(2,625.9)
		(426.6)	(465.7)
Proceeds from bank loans – inventory funding		504.7	423.8
Interest received		0.7	0.3
Interest paid		(22.3)	(18.8)
Income taxes paid		(21.5)	(23.0)
Net inflow / (outflow) from operating activities		**35.0**	**(83.4)**
Cash flows from investing activities			
Payments for property, plant and equipment		(98.3)	(91.4)
Payments for computer software		(3.7)	(5.8)
Proceeds from sale of property, plant and equipment		12.8	1.8
Proceeds from sale of investment / business	11	106.6	-
Dividends received	11	83.2	-
Payments for investment / business (net of cash acquired)		(10.7)	(3.0)
Net inflow / (outflow) from investing activities		**89.9**	**(98.4)**
Cash flows from financing activities			
Proceeds from borrowings		606.0	352.5
Repayment of borrowings		(566.0)	(275.0)
Dividend paid	4	(8.0)	(5.7)
Non-controlling interest		0.4	-
Net inflow from financing activities		**32.4**	**71.8**
Net increase / (decrease) in cash and cash equivalents		157.3	(110.0)
Cash and cash equivalents at the beginning of the period		307.6	374.0
Effect of exchange rate changes on cash and cash equivalents		(3.6)	(15.7)
Cash and cash equivalents at the end of the period		**461.3**	**248.3**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the half year ended 31 March 2017

1. Significant accounting policies

The Interim Financial Report includes consolidated financial statements for GrainCorp Limited ('GrainCorp' or the 'Company') and its controlled entities (collectively the 'Group'). GrainCorp Limited is a company incorporated and domiciled in Australia, limited by shares that are publicly traded on the Australian Securities Exchange.

The Interim Financial Report of GrainCorp Limited for the half year ended 31 March 2017 was authorised for issue in accordance with a resolution of the Directors on 11 May 2017. The Directors have the power to amend and reissue the financial report.

a) Basis of preparation

The Interim Financial Report is a general purpose financial report prepared in accordance with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The Interim Financial Report does not include all of the information required for an Annual Report, and should be read in conjunction with the Annual Report of the Group as at 30 September 2016 and any public announcements made by GrainCorp Limited during the half year in accordance with continuous disclosure obligations arising under the *Corporations Act 2001* and ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

This Interim Financial Report has been prepared on the basis of the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) and commodity inventories, at fair value through profit or loss.

The Interim Financial Report has been prepared on a going concern basis.

Certain comparative amounts have been reclassified to align with current period presentation.

b) New and amended standards and interpretations adopted by the group

A number of new or amended standards became applicable for the current reporting period, however the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these new or amended standards.

2. Segment information

a) Description of segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, is the Managing Director & CEO.

For management purposes, the Group is organised into four business units based on their products and services, forming the four reportable segments reviewed by the Managing Director & CEO in making strategic decisions.

REPORTABLE SEGMENT	PRODUCTS AND SERVICES
Storage & Logistics	Grain receivals, transport, testing, storage of grains and other bulk commodities and export/import of grain and other bulk commodities.
Marketing	Marketing of grain and agricultural products, and the operation of grain pools.
Malt	Production of malt products, provision of brewing inputs and other malting services to brewers and distillers, sale of farm inputs, and export of malt.
Oils	Processing and crushing of oilseeds, supplying edible oils and feeds, operating bulk liquid port terminals, storage, packaging, transport and logistics operations.

Corporate includes the share of profit from equity accounted investments along with unallocated corporate costs.

Management measures performance based on a measure of EBITDA, after adjusting for the allocation of interest expense to the Marketing and Oils segments and significant items. Other than interest associated with Marketing and Oils, Group financing (including interest income and interest expense) and income taxes are managed on a Group basis and are not allocated to operating segments.

Revenue from external customers is measured in a manner consistent with that in the Consolidated Income Statement. Inter-segment pricing is determined on an arm's length basis.

Segment assets reported to management are measured in a manner consistent with that of the financial statements, based on the operations of the segment.

b) Performance of segments

Half year 2017	Storage & Logistics $ M	Marketing $ M	Malt $ M	Oils $M	Reportable segments $ M	Corporate $ M	Eliminations $ M	Total $ M
Reportable segment revenue								
External revenues	240.8	1,217.8	537.9	459.3	2,455.8	0.2	-	2,456.0
Intersegment revenue	154.0	102.2	-	-	256.2	-	(256.2)	-
Total reportable segment revenue	**394.8**	**1,320.0**	**537.9**	**459.3**	2,712.0	**0.2**	**(256.2)**	2,456.0
Reportable segment result	**113.3**	**31.5**	**74.4**	**31.5**	**250.7**	**(14.7)**	**-**	**236.0**
Share of profit of joint ventures	-	-	-	-	-	(0.1)	-	(0.1)
Underlying EBITDA[2]								235.9
Net Interest	-	(5.6)	-	(0.9)	(6.5)	(15.0)	-	(21.5)
Depreciation and amortisation	(28.0)	(2.0)	(25.1)	(17.0)	(72.1)	(0.4)	-	(72.5)
Significant items (note 3)	-	-	(8.3)	(3.4)	(11.7)	(0.9)	-	(12.6)
Profit before income tax from continuing operations	**85.3**	**23.9**	**41.0**	**10.2**	**160.4**	**(31.1)**	**-**	**129.3**
Other segment information								
Capital expenditure	37.8	10.8	44.8	18.8	112.2	0.5	-	112.7
Reportable segment assets	604.6	726.5	1,402.1	875.4	3,608.6	513.7	-	4,122.3
Reportable segment liabilities	(80.3)	(632.0)	(648.2)	(199.9)	(1,560.4)	(728.7)	-	(2,289.1)

[2] Underlying EBITDA is a non-IFRS measure representing earnings before net interest, tax, depreciation and amortisation, and excluding significant items.

2. Segment information (continued)

Half year 2016	Storage & Logistics $ M	Marketing $ M	Malt $ M	Oils $M	Reportable segments $ M	Corporate $ M	Eliminations $ M	Total $ M
Reportable segment revenue								
External revenues	144.2	892.7	592.6	440.0	2,069.5	-	-	2,069.5
Intersegment revenue	68.7	83.4	-	-	152.1	-	(152.1)	-
Total reportable segment revenue	**212.9**	**976.1**	**592.6**	**440.0**	**2,221.6**	**-**	**(152.1)**	**2,069.5**
Reportable segment result	**27.6**	**8.4**	**75.8**	**29.0**	**140.8**	**(12.9)**	**-**	**127.9**
Share of profit of joint ventures	-	(0.1)	-	(0.1)	(0.2)	5.9	-	5.7
Underlying EBITDA[3]								133.6
Net Interest	-	(5.7)	-	(0.9)	(6.6)	(12.7)	-	(19.3)
Depreciation and amortisation	(25.8)	(1.9)	(25.5)	(14.8)	(68.0)	(0.5)	-	(68.5)
Significant items (note 3)	(2.5)	(0.4)	(0.9)	(10.1)	(13.9)	(2.9)	-	(16.8)
Profit before income tax from continuing operations	**(0.7)**	**0.3**	**49.4**	**3.1**	**52.1**	**(23.1)**	**-**	**29.0**
Other segment information								
Capital expenditure	29.7	2.8	28.6	38.6	99.7	0.5	-	100.2
Reportable segment assets	564.8	664.9	1,403.7	862.1	3,495.5	467.6	-	3,963.1
Reportable segment liabilities	(79.0)	(645.0)	(671.5)	(213.5)	(1,609.0)	(568.1)	-	(2,177.1)

[3] Underlying EBITDA is a non-IFRS measure representing earnings before net interest, tax, depreciation and amortisation, and excluding significant items.

3. Significant items

Net profit after tax for the half year includes the following items whose disclosure is relevant in explaining the financial performance of the Group.

Half year 2017	Business Unit	Profit before tax $ M	Tax $ M	NPAT $ M
Net significant items comprise:				
Restructuring costs[4]	Oils	(3.4)	1.0	(2.4)
Impairment of assets[5]	Malt, Corporate	(20.8)	6.5	(14.3)
Gain on sale of assets[6]	Malt, Corporate	11.6	(5.0)	6.6
Net significant items		**(12.6)**	**2.5**	**(10.1)**

Half year 2016	Business Unit	Profit before tax $ M	Tax $ M	NPAT $ M
Net significant items comprise:				
Restructuring costs[7]	Oils	(10.2)	3.0	(7.2)
Impairment of assets	S&L, Malt	(4.1)	1.3	(2.8)
Transaction related costs	Corporate	(3.2)	0.9	(2.3)
Gain on sale of assets	S&L	0.7	(0.2)	0.5
Net significant items		**(16.8)**	**5.0**	**(11.8)**

[4] Relates to GrainCorp Oils Network Optimisation. The costs relate to site decommissioning and product transition costs.

[5] Relates to assets in Malt Germany ($4.7 million after tax); and Corporate ($9.6 million after tax) following the devaluation of currency in an investment in other entities.

[6] Arising from the sale of assets in Malt Germany ($2.8 million after tax) and Allied Mills ($3.8 million after tax, refer to note 11 for further details).

[7] Relates to GrainCorp Oils Network Optimisation and Oilseeds crushing capacity expansion. The costs include redundancy, accelerated depreciation and relocation costs.

4. Dividends

	Half year	
	2017 $ M	**2016 $ M**
Dividends paid in the half year:		
Final fully franked dividend for the year ended 30 September 2016 of 3.5 cents (2015: 2.5 cents)	8.0	5.7
Total dividends paid	**8.0**	**5.7**

Dividend not recognised at half year:

Subsequent to the period end the Directors have approved the payment of the following dividend, expected to be paid on 17 July 2017:

Interim fully franked dividend for the half year ended 31 March 2017 of 15.0 cents (2016: 7.5 cents)	**34.3**

This dividend is to be paid out of retained profits at 31 March 2017, but is not recognised as a liability at the period end.

5. Other income

	Half year	
	2017 $ M	**2016 $ M**
Net gain / (loss) on derivative / commodity trading:		
Net realised gain / (loss) on financial derivatives	(2.5)	1.1
Net realised gain / (loss) on foreign currency derivatives	22.5	5.5
	20.0	6.6
Net unrealised gain / (loss) on financial derivatives	3.7	(5.6)
Net unrealised gain / (loss) on commodity contracts (forward purchases and sales)	9.6	(2.6)
Net unrealised gain / (loss) on foreign currency derivatives	2.0	58.1
Net unrealised gain / (loss) on commodity inventories at fair value less costs to sell	0.8	(31.9)
	16.1	18.0
Net gain / (loss) on derivative / commodity trading	**36.1**	**24.6**
Interest	0.7	0.9
Sundry income	9.1	6.7
Total other income	**45.9**	**32.2**

The Group recorded a net gain of $36.1 million on derivative and commodity trading activities during the period. A realised net loss on delivered commodity contracts and commodity inventories is recognised in the income statement as part of Revenue and Goods purchased for resale, respectively.

The Group manages its exposure to commodity and foreign currency price risk for commodity contracts by entering foreign currency and commodity derivative contracts in accordance with the Group's risk management policy.

6. Other expenses

	Half year	
	2017 $ M	2016 $ M
Insurance	(3.2)	(4.4)
Motor vehicle cost	(6.3)	(5.3)
Travel	(5.9)	(5.7)
Software maintenance	(7.9)	(7.3)
Consulting	(2.0)	(3.8)
Communication	(2.8)	(3.3)
Other	(24.6)	(25.8)
Total other expenses	**(52.7)**	**(55.6)**

7. Inventories

	31 March 2017 $ M	30 September 2016 $ M
Consumable stores	4.7	2.4
Raw materials	266.3	209.2
Work in progress	22.4	22.0
Finished goods	155.9	131.1
Trading stock at net realisable value	13.2	32.4
Commodity inventory at fair value less cost to sell	482.5	102.2
Total inventories	**945.0**	**499.3**

The value of inventory secured against bank loans is $681.8 million (2016: $224.9 million). Refer to note 8.

8. Borrowings

Current	31 March 2017 $ M	30 September 2016 $ M
Short term facilities – unsecured	151.7	147.9
Inventory funding facilities – secured	742.3	239.7
Leases – secured	0.2	0.2
Total current borrowings	**894.2**	**387.8**
Non-current		
Term debt facilities – unsecured	812.2	782.6
Leases – secured	8.9	8.9
Total non-current borrowings	**821.1**	**791.5**

a) Assets pledged as security

Leases are secured by the underlying assets. The inventory funding liabilities are secured against the related inventory. The total secured liabilities (current and non-current) are as follows:

	31 March 2017 $ M	30 September 2016 $ M
Lease liabilities	9.1	9.1
Inventory funding liabilities	742.3	239.7
Total secured liabilities	**751.4**	**248.8**

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	31 March 2017 $ M	30 September 2016 $ M
Leased assets	11.2	11.2
Inventory	681.8	224.9
Total assets pledged as security	**693.0**	**236.1**

Lease liabilities (other than liabilities recognised in relation to surplus space under non-cancellable operating leases) are effectively secured, as rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

Inventory funding facilities are secured against the related inventory.

Loans under term funding facilities are secured by a negative pledge that imposes certain covenants on the Group. The negative pledge states that (subject to certain exceptions) the subject entity will not provide any other security over its assets, and will ensure that certain financial ratios and limits are maintained at all times, including: interest cover, gearing ratios and net tangible assets. All such borrowing covenant ratios and limits have been complied with during the half year.

8. Borrowings (continued)

b) Financing arrangements

Borrowings are drawn under the following Group debt facilities:

31 March 2017	Maturity date	Principal facility amount $ M	Amount utilised $ M
Term debt	November 2019	385.0	357.1
Term debt	April 2020	225.0	225.0
Term debt	April 2022	230.1	230.1
Commodity inventory funding	November 2017	1,067.9	742.3
Working capital	November 2017	405.0	151.7
Total financing arrangements		**2,313.0**	**1,706.2**

30 September 2016	Maturity date[8]	Principal facility amount $ M	Amount utilised $ M[9]
Term debt	November 2019	385.0	324.8
Term debt	April 2020	225.0	225.0
Term debt	April 2022	232.8	232.8
Commodity inventory funding[10]	November 2017	1,153.2	239.7
Working capital[11]	November 2017	405.0	147.9
Total financing arrangements		**2,401.0**	**1,170.2**

9. Contingencies

The Group may from time to time receive notices of possible claims for losses or damages. A provision of $7.3 million (30 September 2016: $16.0 million) has been recognised to cover any liabilities that may arise out of such claims. Based on information currently available, the Directors believe that no further provision is required at this time. A contingent liability exists for any amounts that ultimately become payable over and above current provisioning levels.

[8] As at 9 November 2016.

[9] As at 30 September 2016.

[10] The maturity date and principal facility amount for the inventory funding facility is as at 9 November 2016. Subsequent to balance date, the maturity date was extended from November 2016 to November 2017 and the principal facility amount changed from $1,130.6 million to $1,153.2 million. This facility is renewed subsequent to balance date each year to align with the seasonal requirements of the Group.

[11] The maturity date and principal facility amount for the working capital facility is as at 9 November 2016. Subsequent to balance date, the maturity date was extended from October 2016 to November 2017. The principal facility amount remained at $405.0 million.

10. Financial instruments

Fair value measurements

Financial instruments carried at fair value are classified using a valuation method based on the following hierarchy:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets and liabilities.
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- **Level 3:** inputs for the asset or liability that are not based on observable market data (use of unobservable inputs).

The following table presents the Group's assets and liabilities measured and recognised at fair value at balance date:

31 March 2017	Level 1 $ M	Level 2 $ M	Level 3 $ M	Total $ M
Assets				
Financial assets at fair value through profit or loss				
- Derivatives	4.9	1.9	-	6.8
- Commodity contracts	0.1	1.3	33.7	35.1
Derivatives used for hedging	19.0	0.6	-	19.6
Commodity inventory at fair value less cost to sell	-	3.7	478.8	482.5
Total assets	**24.0**	**7.5**	**512.5**	**544.0**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives	1.4	3.1	-	4.5
- Commodity contracts	-	0.2	15.3	15.5
Derivatives used for hedging	14.8	0.1	-	14.9
Total liabilities	**16.2**	**3.4**	**15.3**	**34.9**

30 September 2016	Level 1 $ M	Level 2 $ M	Level 3 $ M	Total $ M
Assets				
Financial assets at fair value through profit or loss				
- Derivatives	10.3	2.1	-	12.4
- Commodity contracts	-	1.4	51.9	53.3
Derivatives used for hedging	8.9	-	-	8.9
Commodity inventory at fair value less cost to sell	-	5.0	97.2	102.2
Total assets	**19.2**	**8.5**	**149.1**	**176.8**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives	2.4	-	-	2.4
- Commodity contracts	-	0.3	45.3	45.6
Derivatives used for hedging	26.4	3.3	-	29.7
Total liabilities	**28.8**	**3.6**	**45.3**	**77.7**

10. Financial instruments (continued)

Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition, measurement and disclosure purposes.

The fair value of financial instruments traded on active markets (such as exchange traded commodity derivatives and forward exchange contracts) is based on the quoted markets prices and forward exchange market rates as at the reporting date. The quoted market price used for financial assets and liabilities held by the Group is the market settlement price on the reporting date. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over the counter commodity and foreign currency derivatives) are determined using the Black Scholes pricing model, which is sourced from a widely used market pricing provider. The fair value of interest rate swap contracts is received from market counterparties as at balance date. The valuation methodology used by the counterparties reflects common market practice of net present value of estimated future cashflows determined by observable yield curves. These instruments are included in Level 2.

The fair value of physical positions comprising inventory, forward sales and forward purchases for commodity trading do not have quoted market prices available. To obtain the market prices, bid values are sourced from commodity brokers and trade marketers, defined by commodity and grade type. The market prices are amended through location and grade differentials (market zone adjustments) to bring them to a common point. These instruments are included in Level 3.

There were no changes made to any of the valuation techniques applied since 30 September 2016.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no instruments reclassified between levels for the half year ended 31 March 2017.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 March 2017.

The following table presents the changes in Level 3 financial assets and liabilities for the half year ended 31 March 2017 and the year ended 30 September 2016.

	Half year 2017		Full year 2016	
	Commodity Contracts $ M	Commodity inventory at fair value $ M	Commodity Contracts $ M	Commodity inventory at fair value $ M
Opening balance as at 1 October	6.6	97.2	19.1	153.5
Gains / (losses) recognised in profit and loss	9.8	1.1	12.6	(5.2)
Net acquisitions and disposals	2.0	380.5	(25.1)	(51.1)
Closing balance	**18.4**	**478.8**	**6.6**	**97.2**

Fair value of the other financial instruments

The carrying amounts of other financial assets and liabilities are reasonable approximations of their fair values.

10. Financial instruments (continued)

Financial risk management –commodity price risk

Commodity price risk arises due to grain and edible oil price fluctuations impacting on the value of commodity forward purchase and forward sales contracts written by the Group as part of its grain, meal and edible oil marketing activities. The Group's policy is generally to lock in favourable margins between the purchase and sale price of commodities but differences in the timing of entering into these contracts create an exposure to commodity price risk.

To manage exposure to this commodity price risk, the Group enters into various exchange traded commodity derivative contracts (futures and options) as well as over-the-counter contracts with terms between 2 and 24 months depending on the underlying transactions. These contracts are predominantly on Australia, New Zealand, US, Canada and Europe based financial markets and denominated in those currencies. Changes in fair value are recognised immediately in the income statement.

Commodity trading assets and liabilities subject to commodity price risk as at 31 March 2017 and 30 September 2016 are:

	Fair value of derivatives and physical inventory $ M	Net effect of a 20% appreciation in price on post-tax profit or loss $ M	Net effect of a 20% depreciation in price on post-tax profit or loss $ M
31 March 2017	505.8	7.0	(7.0)
30 September 2016	110.9	4.7	(4.7)

The fair value for commodity trading assets and liabilities subject to commodity risk is defined as follows:

- Commodity inventory at fair value: the market value amount as at reporting date
- Forward purchase and sales contracts: mark to market as at reporting date
- Commodity futures: mark to market as at reporting date
- Commodity options: market value amount as at reporting date

Discussion of sensitivity analysis

A 20% movement in commodity prices has been determined as a reasonably possible change based on recent market history specific to agricultural commodities. However, due to controls the Group has in relation to commodity trading, such as trading limits and stop losses, it is not expected that a change of this magnitude would crystallise. The 20% movement is calculated over the market value amount of the net exposure of the commodity physical and derivative contracts.

Commonly traded commodities include wheat, sorghum, barley, tallow, vegetable oil, canola and pulses.

11. Disposal of interest in joint venture

On 31 January 2017, the Group announced the disposal of its 60% interest in Allied Mills. The sale completed on 31 March 2017 for total proceeds of $189.8 million (pre-tax and transaction costs). The sale was based on a locked-box date on 2 October 2016 and no equity accounted profits have been recognised in the reporting period. An after-tax gain for the Group of $3.8 million, net of transaction costs, has been recorded in significant items (refer to note 3). The Group has also received the benefit of $35 million of franking credits as a result of the transaction.

12. Events occurring after the reporting period

No matter or circumstance has arisen since 31 March 2017 that has significantly affected or may significantly affect:

a) the Group's operations in future financial years; or

b) the results of those operations in future financial years; or

c) the Group's state of affairs in future financial years.

Directors’ Declaration

In the Directors’ opinion:

a) the financial statements and notes set out on pages 4 to 19 are in accordance with the *Corporations Act 2001*, including:

   i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   ii. giving a true and fair view of the consolidated entity’s financial position as at 31 March 2017 and of its performance for the financial year ended on that date; and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

G J Bradley AM
Chairman

Sydney
11 May 2017

Independent Auditor's Report

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Independent auditor's review report to the members of GrainCorp Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of GrainCorp Limited (the Company), which comprises the consolidated statement of financial position as at 31 March 2017, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for GrainCorp Group (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 March 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Company is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 31 March 2017 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

PricewaterhouseCoopers

PricewaterhouseCoopers

K. Stubbins

Kristin Stubbins
Partner

Sydney
11 May 2017

David Ronald

David Ronald
Partner

Sydney
11 May 2017